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ABSTRACT

The countries of the European Community represent a commitment to European economic and political unity as part of a trend toward the globalization of the world's economic life. Economic, social, and political challenges are bound up in economic competitiveness. Countries are examining human resource issues in order to compete for the world market. As skilled and knowledgeable labor are scarce, continuing investment in training and development play a role in business success across the continent and in the global market. Work force demographics in the United Kingdom are an important issue. Although the United Kingdom produces many Ph.D.s., the middle and lower levels of education are not well represented. Sixty percent of students leave school at age 16, when school attendance is no longer compulsory. Some United Kingdom manufacturing is based on a low skill level because the average skill level of workers is low. The aging work force is a major trend; people are living longer, and fewer are being born. It appears that women and minorities make up the new work force. However, discriminating attitudinal barriers exist. The more organizations attract, retain, and develop skilled employees, the more their employees can do to further the production of goods and services that will be in demand in the global economy. There are four "lessons" for managers in the study of European Community: (1) human resource development is not a perquisite; (2) the changing work force is real; (3) quality is the key to competitiveness; and (4) stick to the basics of human resource management. (NLA)

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Project Number Forty

LESSONS FOR MANAGERS:

England's Human Resource Dilemmas*

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*In March of 1990, Dr. Richard A. Swanson, Professor and Director of the University of Minnesota Training and Development Research Center, and seven graduate students traveled to London for the purpose of studying human resource development practices in the United Kingdom. During their study trip they met with decision makers from six corporations from various sectors of the economy.

By 1992, the trade barriers will be lifted for the 12 member nations of the European Community . The countries of the European Community--the United Kingdom, France, West Germany, Italy, Spain, the Netherlands, Belgium, Luxembourg, Portugal, Greece, Denmark, and Ireland--were united over 30 years ago as the European Economic Community. The European Community today represents a commitment to European economic unity by 1992, and political unity eventually. This new market area represents a population of 320 million Western Europeans. Another 27 million productive people in the well-off countries of the European Free Trade Association--Austria, Finland, Iceland, Norway, Sweden, and Switzerland--will probably soon become members. As the walls continue to crumble around Eastern Bloc nations, this figure could increase substantially. Business Week reports that this collection of 23 East Bloc and Western European states would boast 520 million people and a nearly $5 trillion gross national product--$1 trillion more than the US economy and $3 trillion more than Japan.

This surge toward European economic integration is part of a trend toward the globalization of the world's economic life. European Community 1992 was initiated to strengthen Europe internally: to form a single, barrier-free market. There are economic, political, and social challenges, and all are bound up in economic competitiveness.

These are both encouraging and troubling times for the British. "I am totally convinced of the need to bring about a genuine single market in Europe by the end of 1992," says Denys Henderson, chairman of London-based Imperial Chemical Industries, one of the biggest chemical companies in the world. "I don't see 1992 simply as an internal, politically dominated exercise for Europe. Its purpose must be to help us compete internationally in the world at large." Derek Day, Managing Director of Alexander Howden Ltd., states that 1992 is clearly an opportunity to expand, but the British must be prepared to face competition in both new and established markets. Also, they must ensure that their people are better equipped than their competitors.

Lord Young, former Secretary of State for Trade and Industry in the UK, pointed out these facts: In Germany, 5 times as many people gain vocational qualifications as in the UK. In France, 10 times as many people are trained to perform intermediate level office work as in the UK. In France just under 10 times as many people are trained in selling as in the UK. In both France and Germany, far more emphasis is placed on post-school language training than in the UK. Peter Morgan, speaking at the Human Resources Development Week Conference in London, March, 1990, stated: "Some competitors are disturbingly professional: The West Germans in business behave uncomfortably like the East Germans in sport; they pick their players while they are in school and then coach them meticulously until they are old enough to compete. They concentrate on developing technical skills. Not suprisingly, the West Germans win about as many enterprise gold medals as the East Germans win Olympic golds."

In the UK, critics say that Margaret Thatcher and her supporters may have gone too far in their efforts to increase productivity and competitiveness. The following changes in labor laws devastated the powerful labor unions in the UK:

1. The number of pickets at each strike site is limited—no mass picketing.
2. No secondary boycotts are allowed.
3. Companies are allowed to hire replacement workers.

These changes give management license to deal with a rebellious work force. When you have abusive situations within the business world by either labor or management, there is a tendency for some type of reactive force to come into play to recreate a balance. In 1987, the London Times strike resulted in owner Rupert Murdock's replacing the majority of his union work force. In this win-lose situation, the London Times reports greater productivity and profitability. The balance of power could change and Maragret Thatcher may find herself moving in the opposite direction.

In the process, what are British companies doing to bridge their training gap? Key companies like STC International Computers, Imperial Chemical Industries, and 3M

management teams are applying answers to to these questions to the direction 3M is taking toward the Year 2000, which includes a focus on customers, building profitable unit growth, and increasing the value of 3M products and services.

Executive Vice President of International Operations, M. J. Monteiro, sums up 3M's view of European Community 1992 by saying, "After 1992, Europe will be a very different kind of market from the one we have known. It will be characterized by fewer but stronger competitors, fewer but larger customers, and lower prices and stiffer competition. This will bring strong pressure on profit margins, in spite of lower costs of doing business, and a higher level of customer expectations in both product quality and service. The winners in the single European market will be the companies that find the best balance between global scale and local market flexibility."

These companies are accustomed to global operations. A question now becomes, how will globally inexperienced European managers adapt to advice from outsiders? Brandon Barnwell, president of Square D Co. Europe, Ltd., is quoted as saying: "Europeans will have to become better team players and accept people coming from outside their markets telling them what to do." In short, he says, "the problem is going to be how to manage a European company with an American style management."

Definite inequities exist among European Community countries. The product complexities of French and German businesses are often beyond those of the British. There is some concern that France and Germany will try to impose their tough technical standards on the rest of the European Community and put up barriers for foreign goods. Germany continues to be a powerhouse with highly qualified workers. In the clothing industry, West German workers produce 40 percent more than the British, and because the Germans emphasize high value, the average dress made in West Germany sells for 150 percent more than one made in Britain.

The European Community Social Charter, which addresses labor and employment practices, has unresolved concerns. The standard of living in Spain is one-third below that

United Kingdom appear to have their "eyes on the tiger." Steve Williams, Director of Human Resource Development at STC, said they are recruiting 10 percent of their new workers from Europe this year. These employees will work in the United Kingdom for two years and then return to their native country. The company believes in hiring indigenous managers to minimize cultural barriers. Attracting, retaining, and developing employees is becoming more important as 'service' requires a higher quality of employee. STC works with the universities in sponsoring students with a goal of obtaining 50 percent of new technical graduates through sponsorship by 1999. Williams indicated the demand for skills is going up and the supply of workers is going down. This presents a major concern in the company's surge for quality.

At Imperial Chemical, the emphasis is on quality. Malcolm Franks, Group Commercial Manager, said that producing quality products that meet customer requirements will be primary to the success of any company competing in the European market. He advocates a common language of quality that includes meeting a system of British and international standards. Applying for this European standard is a rigorous process which takes from one to two years. The first step is to adopt total quality management. Imperial Chemical assists interested suppliers with their quality process so they also may meet the standard and thus continue as suppliers to the company. Some don't make it.

3M is another company that values quality: 3M United Kingdom received the 1989 British Quality Award in recognition of the company's consistent quality emphasis. Ken Jackson, Human Resource Manager at 3M United Kingdom, states that 3M anticipates real growth in the European market, where the company currently employs 22,000. 3M has been in Europe for 40 years and has operations in all of the European Community countries except Luxembourg. With 23 plants in the European Community, the company has a solid base from which to expand. Jackson stated that human resource leaders have three critical questions: (1) How is 3M currently using its resources? (2) How could we better focus on business goals? (3) How do we equip for future quality performance? In-house

of the European Community as a whole. With lower wages and benefits, and more flexible work rules in Spain, West German workers may be concerned about losing jobs as their wages are nearly twice those of Spain.

In Dublin on April 28, the leaders of the European Community warmly approved German reunification and the acceptance of East Germany into European Community membership. They also agreed to examine closely the proposals for political union within the European Community. Francois Mitterand of France and Helmut Kohl of West Germany have been the main proponents of political union within the European Community, while Prime Minister Thatcher has objected, saying the preparations for a single market needed to be settled first.

The European Community leaders also proceeded with measures that would help East European democracies. A senior diplomat said, however, that nations like Poland, Hungary, and Czechoslovakia could not expect to be considered for membership for at least five years.

Competition will be great, but not limited to the best product at the lowest price. As skilled and knowledgeable labor will be scarce, continuing investment in training and development will play a major role in business success across the continent--and in the global market.

Work Force Demographics in the UK

Educating the current and future workforce is an extremely important issue. Historically, the UK has not been concerned with educating and training the masses. The UK does a good job of producing Ph.D.'s, but the record worsens as it moves down the academic scale. The problem lies in the middle and lower levels of education. School attendance in the UK is compulsory between the ages of five and sixteen, after which participation is voluntary. Sixty percent of young people in the UK leave school at the age of sixteen, with about forty percent of them attaining minimal academic qualifications.

Professor Richard Rose stated that in terms of qualifications alone, Germany has at least 10 million more qualified workers than does Britain.

Some UK enterprises are victims of the vicious circle. Their manufacturing is based on a low skill level because the average skill level of available workers is low. Because of the low skill level of their workers, management in these companies does not see the need to invest in enlightened human resource practices. The continuing low skill level forces such companies to remain in the low-skill businesses and to pay the lowest wages possible. But labor in other countries earns still lower wages. As a result, many low-skill manufacturing companies have gone elsewhere, leaving behind in the UK a large population of unemployed, unskilled workers. The way to break out of this vicious circle is for enlightened policy makers to begin to invest in developing their people.

The aging work force is a major trend; people are living longer, and fewer are being born. Secondary school enrollment in the UK is projected to fall 70 percent between 1979 and 1995. In addition, there will be more working couples, two-career couples, working parents, single working parents, and workers with dependents other than children. As demographics change, a host of economic and social implications appear. The present structure of the work force in the UK is 38 percent skilled and 62 percent unskilled.

The UK needs more qualified employees now and in the future. Who will fill the gap? It appears that women and minorities are going to make up the new work force; however, discriminating attitudinal barriers do exist. Discrimination in the UK has been described as viewing women as less able than men to handle demanding jobs and more tolerant of boring and repetitive work. This attitude of discrimination is apparent in several UK organizations we visited. For example, Barclays Bank, in the face of this shortage of qualified workers, does not encourage women to pursue positions in securities, which is the area in the bank where potential managers are groomed. Women are recuited to fill lower paying, less visible positions, which offer little opportunity for career progression. Although women are seen as better lenders, the idea of putting women in such positions

remains somewhat unpalatable to bank decision makers. Compared to the United States, the language of the UK business culture remains sexist.

Some UK organizations employ women on a more equal basis and make provisions for working mothers. STC International Computers, a progressive corporation, has a program that allows women to take an unpaid maternity leave of up to two years. During their maternity leaves, women are expected to keep their skills current by attending two weeks of training each year. Steve Williams of STC said, "women are the work force of the future." The London Times, recognizing the changing demographics, is begining to provide day care. They need women on their work force.

In the 1990's, talent will be short in the UK and within the European Community. Companies that are creative and open to utilizing avenues of present and potential workers are going to be more competitive in the European Community. If the UK continues to produce an unskilled work force, it will not survive the competition.

Successful Human Resource Practices in the UK

In the UK companies that we visited, the programs that were aimed at increasing the skills and capabilities of the work force were variously called human resource development, organization development, technical training, quality and productivity programs, or management development. Several of the companies appear to value the capabilities of their people as an important competitive edge in the new economic environment. STC Computer International clearly tells its managers where they ought to place their emphasis:

> Our attitude toward people is created by the fact that we are in a knowledge industry. Our business success will therefore be led by people first and products second. (The ICL Way)

STC and 3M, in particular, apply systematic programming to achieve their goals of attracting, retaining and developing employees.

Attracting qualified new employees is a fiercely competitive activity in the UK. Beyond placing help-wanted advertisements in the newspapers, enterprizing companies carefully cultivate their images, develop partnerships with schools, and sponsor high-potential university students.

STC strives to maintain its image as the kind of company that people want to join and remain with throughout their careers. Attractive employee benefits and competitive levels of compensation are important features of that image. Also, the company expects to enhance its image as a superior place to work by encouraging strong, reasonable management practices. Top management wholeheartedly supports the company's ongoing "Investing in People" program, which emphasizes the basic skills of people management.

Through regular visits to selected secondary schools in the UK, several of the companies we visited cultivate warm trusting partnerships between themselves and the students and staff in the schools. The goal of this activity is early identification of those students who will fit comfortably in each of the companies. The schools and the companies believe that these partnerships are mutually beneficial, and over time they have developed a sense of loyalty to one another. IBM, which came late to this partnership arrangement, has been rebuffed by several of the schools.

Many UK companies sponsor university students. In return for taking an approved course of studies, sponsored students receive $1300 each year for three years to support their studies. They also qualify for summer employment, which includes job training. Students are under no formal obligation to accept offers of permanent employment from their sponsoring companies; however, 90 percent do accept. According to Steve Williams of STC, "the company knows each of its sponsored students well and can determine the best initial placement for developing him or her as a long-term employee. For a very small investment, STC gets cream-of-the-crop students who have taken appropriate coursework, know what to expect from having worked here, and are loyal to the company."

Although acquiring highly qualified new employees is a major achievement in a time of falling student populations, retaining them in a competitive labor market may be even more of an achievement. Given the demographic problems facing all UK employers, most companies anticipate great difficulty in replacing employees who leave.

John Hughes of STC said that seeing to the morale of new employees is "an essential element of the company's retention strategy: " We believe in rapidly integrating the employee into a new job and in seeing to his or her early success." As part of an effective induction process, the supervisor is responsible for setting personal performance objectives for the new employee. Thereafter, the supervisor is responsible for providing ongoing support, thus rapidly raising the level of performance. Induction activities at STC are itemized on a checklist that is provided to every manager through the "Investing in People" program. In addition, the peers of new employees are encouraged to help them "come to terms with the new role as quickly as possible."

The aim of the "Investing in People" program at STC is to create a corporate environment in which manager and subordinate are encouraged to speak forthrightly. Through their support of the program, the Board of Directors intends to ensure a "rewarding and satisfying working life for everyone by improving the quality of dialogue between manager and the individual."

Because employees at all levels who receive excellent performance ratings tend to stay on, managers at 3M and at STC are expected to follow step-by-step processes for managing their subordinates' performances. In both companies, guides have been especially developed to help managers with this important responsibility. According to one of the guides, the first step is to establish three types of performance objectives.

- Key results objectives at the strategic level
- Performance standards at the operational level
- Personal improvement objectives at the individual level

Feedback and coaching sessions are to be provided for subordinates as needed. Regular quarterly review sessions and annual appraisal and performance-rating sessions complete the performance management process. As John Hughes of STC puts it, "clear objectives and timely feedback tend to focus their hearts and minds."

Developing employees is the third human resource focus toward achieving a competitive workforce. The primary means for developing people at STC and 3M are job rotation, coaching and self-development. Although formal classroom training is downplayed, it may be used to develop job skills that cannot be developed through coaching.

Because most important skills are acquired on the job, every manager at STC is encouraged to function as a coach and a model. The company specifically encourages all its employees to help one another learn essential job skills. Coaches can come from any part of the organization. "If individual managers ought to be able to read a financial statement as part of their jobs and cannot," says John Hughes, "the comptroller may be asked to do some coaching on how to read financial statements." Such careful coaching lessens, but does not eliminate the need for off-site training.

Official STC policy states that "people development is one of the basic requirements for business success." Education is encouraged "where the course of study is relevant to the company's business, where it is seen to be cost effective, and where the individual can be released to attend." Training is especially important when there is a demand for performance and new technology. For example, according to Ken Jackson at 3M, "if the manager needs to learn a language to function in his job, the company will send him to an intensive language training program off site." Language training for non-work-related purposes is simply another employee benefit.

In the companies that use systematic human resource methods, "training must be business related." At STC, a great deal of training is delivered by line managers. The human resource staff people create special training packages for managers to use in

delivering training to their subordinates. In referring to his "tutor packets," John Hughes said, "Everything the manager needs for an effective training session is included."

In many of the companies we visited, senior people are encouraged to use their expertise to encourage and develop younger employees. At STC, members of the Board are assigned as mentors to high-potential employees. Board members are urged to see their mentoring role both as privilege and as responsibility. Although the board members are thought not to need special training to function as mentors, their mentoring skills may be developed through training. Managers in the companies we visited emphasized the significant role that career-planning continues to play in enhancing human capabilities. According to John Hughes at STC. "the person owns his or her own career. It is up to the individual to plan and to take steps to acquire the necessary skills." Given a learning problem, the self-developing employee is encouraged to begin a program of reading, to join a professional association, or to seek a mentor.

Some UK companies send their employees through an assessment center to identify "high fliers." The results of tests and assessors' feedback provide valuable commentary on an individual's development needs.

Top management's message to human resources staff at STC is "do not layer any other management training on top of 'Investing in People' until managers have the basics down." Wilderness trips for team building are completely out of their management-development picture. Apparently, decision makers in some UK organizations are moving away from viewing human resources as a cost. They are bringing their HRD managers into the board room and making them equal partners in developing strategies to increase the capabilities of the human resource.

Lessons for Business Managers

Managers in the United States share similar concerns with business managers in the UK. Commonalities between UK and US businesses are more evident than are

differences. Business leaders acknowledge that the European Community will increase its competitiveness in current markets and in markets that will be developed in the future. They also realize the need to develop a work force that is equally or better equipped than the work force that is available to their competitors. In the organizations we visited, the human resource development lessons for business managers seem clear. The more organizations attract, retain, and develop skilled employees, the more their employees can do to further the production of goods and services that will be in demand in the global economy.

Lesson 1: HRD is not a "perk"

Many organizations continue to view training and organization development as a nonessential activity. The importance of human resource development in assisting organizations in responding to economic and workforce changes was stressed in the progressive UK organizations visited. It was very evident that UK business leaders are in agreement that human resource development efforts will have maximum impact and effectiveness when they are a part of strategic planning at the uppermost levels of organization decision-making. Following this practice results in a systematic effort that is pervasive throughout an entire organization.

Lesson 2: The changing work force is real.

Work force demographics are changing and will continue to change as we enter the 21st century. Responding to these changes is an imperative for businesses that intend to remain viable, competitive enterprises. Managers in the US would do well to observe the struggle of UK managers who must scramble to accommodate the changes that have arrived. Business leaders in the United Kingdom discuss the difficulty of attracting, retaining and developing qualified employees. However, it did not appear to us that all UK businesses were willing to adapt their way of doing business sufficiently to tap into the non-traditional work force that would be available to them. Specifically, the organization

cultures of many of the UK businesses we visited were not conducive to embracing women and minorities.

Many competitive business leaders have adapted their policies to changes in the work force, and as the US workforce continues to evolve, they will do well to continue to make room for diversity.

Lesson 3: Quality is the key to competitiveness.

Pursuit of quality requires a highly developed and motivated work force. And human resource development is the key to implementing and maintaining the quality-improvement process. Contrary to some popular management literature, quality is not free and it is not easy. Quality requires learning and constancy of purpose.

Lesson 4: Stick to the basics of human resource management.

Investing in policies that assure the attraction, retention, and development of people is a fundamental business strategy. Training, developing, and rewarding managers in the basics of human resource development comes first.